

## Message Text

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ACTION SS-25

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FM AMEMBASSY OTTAWA  
TO SECSTATE WASHDC PRIORITY 3471

S E C R E T OTTAWA 03905

EXDIS

E.O. 11652: XGDS  
TAGS: ENRG, CA  
SUBJECT: GAS PIPELINE SITREP

WHITE HOUSE FOR SCHLESINGER AND GOLDMAN; DEPT. FOR COOPER,  
KATZ AND VINE

1. THIS IS WHERE WE STAND THE WEEK AFTER PUBLICATION OF  
THE BERGER REPORT.

2. BERGER HAS MADE A DEEP AND LASTING IMPRESSION ON THE  
COUNTRY--BUT HE HAS NOT STAMPEDED IT. MEDIA COVERAGE HAS  
BEEN WELL-ORCHESTRATED, AT SATURATION LEVEL; ALMOST UNI-  
VERSALLY THE REPORT HAS BEEN PRESENTED AS COMPELLING, OF  
HIGH INTELLECTUAL QUALITY, HUMANE. BUT THE BALANCING  
THEMES HAVE BEEN THERE TOO: THAT SOUTHERNERS AS WELL AS  
NORTHERNERS HAVE INTERESTS, THAT THE COUNTRY MUST ALSO  
LOOK TO ITS ENERGY NEEDS.

3. THE GOVERNMENT HAS KEPT ITS COOL, RELEASING SOME OF  
THE PRESSURE BY ACCEDING TO DEMANDS FOR PARLIAMENTARY DE-  
BATE NOW AND AFTER ITS DECISION IS MADE, WHILE BOTTLING  
UP EFFORTS TO PROLONG THE BERGER EXERCISE BY REFERRING IT  
TO A PARLIAMENTARY COMMITTEE. A QUICK POLL SHOWS THAT AT  
LEAST HALF OF THE KEY MINISTERS STILL SUPPORT CONSTRUCTION

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OF THE MACKENZIE LINE. AFTER A WOBBLY START, THE OPPOSI-  
TION CONSERVATIVES ARE GETTING THEMSELVES INTO A MORE NEU-  
TRAL POSITION ON THE MACKENZIE LINE. DEEP SPLIT IN THE  
CONSERVATIVES BETWEEN ALBERTA PIPELINE SUPPORTERS AND  
EASTERN OPPONENTS IMMOBILIZES THEM AND HELPS THE GOVERN-  
MENT KEEP CONTROL.

4. THE CHIEF DANGER NOW IS THAT IMPRESSION WILL HARDEN THAT MACKENZIE LINE, WHATEVER ITS MERITS, IS POLITICALLY UNDOABLE AND DEAD, AND THE FULL RANGE OF ANTI-DEVELOPMENT, ANTI-GOVERNMENT (AND INDEED ANTI-U.S.) OPINION WILL FOCUS ON THE NEW FRONT RUNNER, ALCAN. SO FAR ALCAN HAS BENEFITED FROM BEING A DARK HORSE. BERGER SUPPORTED IT AS A TACTIC FOR DRAWING STRENGTH FROM THE MACKENZIE LINE, AND GENERAL IGNORANCE ABOUT WHAT THE ALCAN LINE WOULD INVOLVE HAS PROTECTED IT FROM PUBLIC PRESSURE. BUT THE ALCAN HAS POTENTIALLY LESS SUPPORT THAN THE MACKENZIE LINE BECAUSE IT DOES NOTHING DIRECTLY TO MEET CANADIAN ENERGY NEEDS. A GROUP OF CORRESPONDENTS IN THE CAPITAL AND TORONTO ARE ALREADY PROCLAIMING THAT THE MACKENZIE LINE IS DEAD AND BEGINNING TO PROBE AT ALCAN; WE'LL GET A LOT MORE OF THIS.

5. THUS IT IS IMPORTANT--IF ONLY TO INSURE THAT AT LEAST ONE OF THE OPTIONS IS AVAILABLE AT THE END OF THE PROCESS--THAT THE MACKENZIE LINE REMAIN AND BE PERCEIVED TO REMAIN A VALID OPTION AT THIS TIME. CABINET SECRETARY PITFIELD (WHO REMAINS TRUDEAU'S KEY STRATEGIST ON THE PIPELINE) HAS AGREED TO GIVE ARCTIC GAS SOME PRIVATE ENCOURAGEMENT AND TO SPREAD WORD THAT THE GOVERNMENT DOESN'T CONSIDER ARCTIC GAS DEAD. IT IS ALSO IMPORTANT THAT THE ARCTIC GAS CO-ALITION CONSORTIUM NOT START TO COME APART, AND I AM MAKING THIS POINT TO SOME OF THE PRINCIPALS INVOLVED.

6. THE OTHER PRESSURE POINT IS THE SEPTEMBER 1 DEADLINE. EMPHASIS ON IT ENABLES PIPELINE OPPONENTS TO CONVEY THE MESSAGE THAT ALL OF THIS IS REALLY BEING DONE BECAUSE THE  
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AMERICANS ARE DEMANDING IT. TRUDEAU IS HANDLING THE ISSUE WELL BY SAYING THAT HE WANTS IN CANADA'S INTEREST TO TAKE A DECISION BY AUGUST IN ORDER TO MAKE SURE THAT CANADA HAS A SAY IN THE FINAL CHOICE. BUT HE IS GETTING A COUNTER ATTACK IN CHARGES THAT THE FIX IS ALREADY ON WITH THE AMERICANS AND THE WHOLE PROCESS IS RIGGED. AT SOME POINT WE WILL PROBABLY GET A REQUEST FOR A DELAY FROM THE GOVERNMENT. IN ANTICIPATION OF THAT, I AM MAKING THE POINT THAT IT SIMPLY WOULD NOT BE POLITICALLY CREDIBLE FOR THE PRESIDENT TO NOTIFY A DELAY TO THE CONGRESS UNLESS HE COULD SAY THAT CANADA INTENDED TO MAKE AN OVERLAND ROUTE AVAILABLE, BUT NEEDED MORE TIME TO DO SO. THUS DELAY COULD BE JUSTIFIED ONLY TO IMPLEMENT A CANADIAN DECISION TO BUILD A JOINT PIPELINE, NOT TO GIVE MORE TIME FOR A DECISION.

7. FOR THE FUTURE, THE CRITICAL PLAY FOR THE MACKENZIE LINE IS OF COURSE THE NEB REPORT, DUE IN EARLY JULY. FOR THE MACKENZIE TO SURVIVE, THE NEB WILL HAVE TO COME DOWN HARD ON THE NEED TO EXPLOIT DELTA RESOURCES NOW. IF THE

NEB WAFFLES ON THAT ISSUE--FOR EXAMPLE CITING ACCELERATED  
PRODUCTION OF GAS IN ALBERTA, CUTOFFS OF SUPPLY TO THE U.S.  
OR THE RAPID EXPLOITATION OF POLAR GAS AS ACCEPTABLE  
ALTERNATIVES--IT WILL BE HARD FOR THE MACKENZIE PROPOSAL  
TO SURVIVE. BUT YOU CAN'T COUNT IT OUT YET. ENDERS

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## Message Attributes

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